

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04

OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 PA-02 PRS-01 /123 W

-----170258Z 031348 /15

R 161128Z MAY 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 7789

TREASURY DEPT WASHDC

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL HONG KONG

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

UNCLAS SECTION 1 OF 2 TOKYO 7154

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: LIBERALIZATION OF JAPAN'S FOREIGN EXCHANGE CONTROLS

1. SUMMARY: MINISTRY OF FINANCE (MOF) AND MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) ANNOUNCED MAY 13 PACKAGE OF MEASURES EXPECTED TO BE FIRST STEP IN SERIES PROMOTING FURTHER SIMPLIFICATION AND LIBERALIZATION OF JAPAN'S FOREX CONTROLS. PROGRAMS ARE PRIMARILY ALONG LINES ANTICIPATED (TOKYO 6186), WITH PACKAGE ANNOUNCED FRIDAY DEVOTED TO MEASURES AFFECTING CURRENT TRANSACTIONS. PACKAGE(S) DEALING WITH CAPITAL TRANSACTIONS EXPECTED TO FOLLOW. DATE OF IMPLEMENTATION OF THE FIRST PACKAGE IS NOT SPECIFIED IN THE OFFICIAL STATEMENT BUT PRESS REPORTS INDICATE EFFECTIVE DATE WILL BE NO LATER THAN MID-JUNE AND UNCLASSIFIED

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COULD BE AS EARLY AS END OF MAY. END SUMMARY.

2. FOLLOWING IS INFORMAL TRANSLATION OF MOF OFFICIAL STATEMENT RELEASED MAY 13: BEGIN MOF TEXT. SUBJECT: PROMOTION OF SIMPLIFICATION OF FOREIGN EXCHANGE CONTROLS.

(1) IN ORDER TO PROMOTE SUBSTANTIAL SIMPLIFICATION OF FOREIGN EXCHANGE PROCEDURES CONCERNED WITH INVISIBLE TRADE

TRANSACTIONS AND PAYMENTS FOR THOSE SERVICES, MOF DECIDED TO REVISE MINISTERIAL ORDINANCES RELATED TO NON-MERCHANDISE TRADE TRANSACTIONS AND AT THE SAME TIME TO SIMPLIFY AND CLARIFY MINISTERIAL ORDINANCES. HEREAFTER NO ORDINARY SERVICE TRANSACTIONS WILL REQUIRE APPROVAL BY BANK OF JAPAN (BOJ). (2) DETAILS OF MEASURES AS FOLLOWS: (A) LIMIT ON PAYMENTS ABROAD FOR ORDINARY CURRENT INVISIBLE TRANSACTIONS WITHOUT FORMAL APPROVAL IS TO BE RAISED FROM \$1,000 TO \$3,000. IN CASE OF CURRENT PAYMENTS, SUCH AS REMITTANCE (ABROAD) FOR MEDICAL FEES OR EDUCATIONAL EXPENSES, CURRENT REGULATIONS LIMIT PURPOSES OF REMITTANCE AND PAYMENTS ARE AUTHORIZED BY APPROVAL OF FOREIGN EXCHANGE BANKS ONLY IF THE PRESCRIBED DOCUMENTS ARE PRESENTED. HEREAFTER CURRENT PAYMENTS (ABROAD) REGARDLESS OF AMOUNT MAY BE APPROVED BY FOREIGN EXCHANGE BANKS IF CREDIBILITY (OF PURPOSE) OF PAYMENT IS PROVED. (B) ACQUISITION OF FOREIGN EXCHANGE FOR TRAVEL ABROAD (BY JAPANESE TOURISTS OR BUSINESSMEN) NOW REQUIRED APPROVAL BY FOREIGN EXCHANGE BANKS FOR AMOUNTS OF \$3,000 OR LESS AND BY BOJ FOR AMOUNTS ABOVE \$3,000. HEREAFTER, FOREIGN EXCHANGE MAY BE ACQUIRED UPON APPROVAL BY A FOREIGN EXCHANGE BANK REGARDLESS OF AMOUNT ACQUIRED. ENTRY IN PASSPORTS OF FOREIGN EXCHANGE ACQUIRED (BY JAPANESE) IS PRESENTLY REQUESTED, BUT HEREAFTER THIS PRACTICE WILL BE TERMINATED. (C) AT PRESENT, CONTRACTS FOR SERVICES IN CERTAIN CASES, SUCH AS TRANSPORTATION EXPENSES, INSURANCE, SHOWS OR ENTERTAINMENT PERFORMANCES, ETC., REQUIRE BOJ APPROVAL. HEREAFTER, ALL CONTRACTS FOR SERVICES MAY BE CONCLUDED FREELY EXCEPT FOR EXTREMELY UNUSUAL TRANSACTIONS. PAYMENTS

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FOR THESE SERVICES MAY BE MADE BY APPROVAL ONLY OF FOREX BANKS. (D) CONVERSION OF YEN INTO FOREIGN EXCHANGE BY NON-RESIDENTS AT DEPARTURE FROM JAPAN: AT PRESENT, NON-RESIDENTS ARE PERMITTED UPON DEPARTING FROM JAPAN TO CONVERT YEN INTO FOREIGN EXCHANGE UP TO LOWER OF (I) \$1,000 EQUIVALENT; OR (II) AMOUNT OF FOREIGN EXCHANGE THEY BROUGHT INTO JAPAN. HEREAFTER, REGARDLESS OF SOURCE OF FUNDS, NON-RESIDENTS MAY ACQUIRE FOREIGN EXCHANGE UP TO \$3,000 FREELY IN EXCHANGE FOR YEN HELD AT DEPARTURE. FOREIGN EXCHANGE ABOVE \$3,000 MAY ALSO BE ACQUIRED UPON CONFIRMATION BY FOREX BANKS. (3) MEASURES MENTIONED ABOVE WILL BE IMPLEMENTED SOON AFTER REVISIONS IN CONCERNED MINISTERIAL ORDINANCES, ETC. ARE COMPLETED. (4) ALSO, IN COOPERATION WITH MITI, MOF WILL PROMOTE SIMPLIFICATION OF FOREX PROCEDURES THROUGH ABOLITION OF LIMITS ON AMOUNT REMITTABLE FOR SETTLEMENT OF "CURRENT-ACCOUNT" BALANCES OF TRADING FIRMS. TRADING FIRMS ARE PERMITTED TO ESTABLISH "CURRENT-ACCOUNT" SYSTEM BETWEEN HEAD OFFICE AND OVERSEAS BRANCHES FOR CURRENT INVISIBLE TRANSACTIONS AND TO SETTLE BALANCES OF ACCOUNT

AT CERTAIN FIXED TIMES. (5) IN ORDER TO PROMOTE SIMPLIFICATION OF FOREX CONTROLS FURTHER, MOF WILL CONTINUE TO EXAMINE MEASURES, SUCH AS RELAXATION OF STANDARD-METHOD OF SETTLEMENT, ETC. AND INTENDS TO IMPLEMENT OTHER PROGRAMS SUCCESSIVELY. END MOF TEXT.

3. MITI ALSO ANNOUNCED MAY 13 MEASURES SIMPLIFYING AND LIBERALIZING FOREIGN EXCHANGE CONTROLS. INFORMAL TRANSLATION OF MITI OFFICIAL PRESS RELEASE FOLLOWS: BEGIN MITI TEXT. SUBJECT: SIMPLIFICATION OF FOREX CONTROLS: (1) PURPOSE: IN VIEW OF (A) FURTHER DEVELOPMENT OF INTL ACTIVITIES OF JAPANESE ENTERPRISES AND (B) JAPAN'S CHANGING INTL ECONOMIC ENVIRONMENT, MITI HAS REVIEWED THE APPROPRIATENESS OF JAPAN'S FOREIGN EXCHANGE CONTROLS AND INTENDS TO PROMOTE SIMPLIFICATION OF FOREX CONTROLS THROUGH THE MEASURES MENTIONED BELOW AS A FIRST STEP TOWARD SIMPLIFICATION OF FOREIGN EXCHANGE REGULATIONS (INCLUDING UNCLASSIFIED

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SIMPLIFICATION OF FOREIGN TRADE PROCEDURES). TO IMPLEMENT THE PROGRAMS MENTIONED BELOW, MITI WILL WORK FOR THE TIME BEING ON REVISING MINISTERIAL ORDINANCES RELATED TO INVISIBLE TRANSACTIONS RELATED TO MERCHANDISE TRADE, BUT IN THE FUTURE WILL SUCCESSIVELY EXTEND THIS WORK TO ADJUSTMENT OF RELATED CABINET ORDERS AS WELL AS OTHER MINISTERIAL ORDINANCES.

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SS-15 STR-04 CEA-01 L-03 H-02 PA-02 PRS-01 /123 W
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R 161128Z MAY 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 7790
TREASURY DEPT WASHDC

INFO INFO RUFHOL/AMEMBASSY BONN 2387

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL HONG KONG

USMISSION EC BRUSSELS

USMISSION OCED PARIS

USMISSION GENEVA

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(2) CONTENT: (A) SIMPLIFICATION

OF FOREX CONTROLS: I. NON-MERCHANDISE TRANSACTIONS AND
PAYMENTS FOR SUCH SERVICES WILL BE LIBERALIZED COMPLETELY
UP TO \$3,000. (PREVIOUS LIMIT WAS \$1,000). II.

SIMPLIFICATION OF INVISIBLE TRANSACTIONS RELATED TO MERCHAN-
DISE TRADE TRANSACTIONS: A. TRANSPORTATION, SHIP
CHARTERING, INSURANCE, CUSTODY, INSPECTION ETC. PREVIOUSLY,
DEPENING ON THE TYPE OF TRANSACTION, PERMISSION OF THE
MINISTER OF INTERNATIONAL TRADE AND INDUSTRY (ITI) WAS
REQUIRED FOR CONTRACTS FOR SERVICES. PAYMENTS FOR SUCH
SERVICES ALSO REQUIRED PERMISSION OF MINISTER OF ITI AS
WELL AS APPROVAL BY FOREIGN EXCHANGE BANKS. HEREAFTER,
CONTRACTS FOR SERVICES WILL BE LIBERALIZED COMPLETELY IN
PRINCIPLE AND PAYMENTS WILL REQUIRE ONLY APPROVAL OF FOREX
BANKS. B. SERVICES AS REPRESENTATIVE OR AGENT: THE
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CEILING ON PAYMENTS FOR AGENCY FEES, ETC. INVOLVED IN
IMPORT CONTRACTS WILL BE RAISED TO ONE-TENTH OF THE VALUE
OF COMMODITIES IMPORTED. CONTRACTS FOR PAYMENTS ON
NON-STANDARD-METHODS OF SETTLEMENT, WHICH PREVIOUSLY
REQUIRED PERMISSION BY MINISTER OF ITI, WILL HEREAFTER
REQUIRE ONLY APPROVAL BY FOREX BANKS. C. (CONTRACT) ADJUSTMENTS
AND COMPENSATION FOR DAMAGES: PREVIOUSLY PAYMENTS FOR (CONTRACT)
ADJUSTMENTS DUE TO FOREX FLUCTUATIONS REQUIRED PERMISSION OF MINISTER
OF ITI.

HEREAFTER, SUCH PAYMENTS MAY BE MADE WITH THE APPROVAL
OF FOREX BANKS. CEILING ON PAYMENTS FOR ADJUSTMENT MONEY
AND FOR COMPENSATION FOR DAMAGES IS TO BE RAISED TO \$100,000
FOR BOTH CATEGORIES FROM PREVIOUS LIMIT OF \$10,000 AND \$50,000,
RESPECTIVELY. PAYMENTS ON NON-STANDARD-METHOD OF
SETTLEMENT, WHICH PREVIOUSLY REQUIRED PERMISSION BY MINISTER
OF ITI, HEREAFTER MAY BE MADE WITH APPROVAL OF FOREX BANKS.
D. ISSUANCE OF BONDS. ISSUANCE OF BONDS (BIDDING
GUARANTEES, LETTER OF GUARANTEE FOR EXECUTION OF CONTRACTS)
BY NON-LIFE INSURANCE COMPANIES, WHICH PREVIOUSLY REQUIRED
PERMISSION OF MINISTER OF ITI, WILL BE LIBERALIZED
COMPLETELY. E. OTHER: RECEIPT OF PAYMENT BY NON-
STANDARD-METHOD OF SETTLEMENT, WHICH PREVIOUSLY REQUIRED

PERMISSION BY MINISTER OF ITI, WILL BE LIBERALIZED EXCEPT FOR CERTAIN TYPES OF TRANSACTIONS. III SIMPLIFICATION OF "CURRENT ACCOUNT" TRANSACTIONS BETWEEN HEAD OFFICES AND BRANCHES OF TRADING FIRMS, ETC. (ED. NOTE: SAME AS MENTIONED IN MOF PROGRAMS). (B) SIMPLIFICATION OF MRCHANDISE TRADE PROCEDURES: IN ADDITION TO THE MEASURES MENTIONED ABOVE, MITI WILL TAKE NECESSARY STEPS TO RAISE LIMIT ON COMMODITIES WHICH MAY BE IMPORTED WITHOUT LICENSE FROM \$1,000 TO \$3,000. MITI WILL ALSO SEEK WAYS TO SIMPLIFY FOREIGN EXCHANGE CONTROLS FURHTER. END MITI TEXT.

4. NIHON KEIZAI REPORTS ESTIMATE NUMBER OF FOREX PROCEDURES REQUIRING PERMISSION BY BOJ WILL DECLINE RAPIDLY FROM ABOUT 30,000 CASES AT PRESENT ANNUALLY UNCLASSIFIED

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TO ABOUT 6,000 AFTER IMPLEMENTATION OF THE PROGRAMS. PAYMENTS ABROAD REQUIRING PERMISSION BY MINISTER OF ITI ARE ALSO ESTIMATED TO DROP SHARLY FROM ABOUT 6,000 CASES (AMOUNTING TO \$2 BIL) AT PRESENT TO ABOUT 2,000 CASES (AMOUNTING TO \$0.6 BIL) AFTER RELAXATION OF FOREX CONTROLS.

5. NOTE: EMBASSY CAUTIONS THAT FOREGOING IS INFORMAL AND QUICK TRANSLATION OF MOF AND MITI ANNOUNCEMENTS, WHICH WERE ONLY OBTAINED TODAY (MAY 16. IT IS PROVIDED AS BASIS FOR EVALUATION NATURE AND SCOPE OF JAPANESE MEASURES OF SIMPLIFCATION/LIBERALIZATION AND NOT AS BASIS FOR JUDGING CONSISTENCY OF JAPAN'S EXCHANGE CONTROLS WITH ITS INTERNATIONAL OBLIGATIONS. GOVT OF JAPAN WILL PRESUMABLY BE SUPPLYING ITS OWN OFFICIAL TRANSLATIONS TO CONCERNED INTERNATIONAL ORGANIZATIONS. SHOESMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, FOREIGN EXCHANGE CONTROLS, INVISIBLES (BALANCE OF PAYMENTS)
Control Number: n/a
Copy: SINGLE
Sent Date: 16-May-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
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Expiration:
Film Number: D770174-0210
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From: TOKYO
Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t19770551/aaaabseb.tel
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Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
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TAGS: EFIN, JA
To: STATE TRSY
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/8241be92-c288-dd11-92da-001cc4696bcc
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